

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lenox Township	County MaComb
Audit Date 6/30/05	Opinion Date 10/18/05	Date Accountant Report Submitted to State: 12/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple			
Street Address 1979 Holland Ave.	City Port Huron	State MI	ZIP 48060
Accountant Signature <i>Stewart, Beauvais & Whipple</i>		Date 12.29.05	

LENOX TOWNSHIP
Macomb County, Michigan

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2005

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Lenox Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of the Lenox Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit's financial statements of the Lenox Township Library. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements insofar as it relates to the Lenox Township Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2005 on our consideration of the Lenox Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 36 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lenox Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

October 18, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

Lenox Township's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of 16.2 million. This is an increase of \$3.0 million over 2004. Government-type activities comprise \$12.1 million, and business-type activities make up \$4.1 million of the total net assets. In a condensed format, the table below shows net assets as of the June 30, 2005 and 2004.

In Thousands

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Assets				
Current assets	\$ 7,255	\$ 4,754	\$ 160	\$ 268
Restricted assets	-	-	699	685
Noncurrent assets	4,933	4,620	4,425	4,559
Total assets	<u>12,188</u>	<u>9,374</u>	<u>5,284</u>	<u>5,512</u>
Liabilities				
Current liabilities	119	281	26	83
Long-term liabilities	-	-	1,140	1,355
Total liabilities	<u>119</u>	<u>281</u>	<u>1,166</u>	<u>1,438</u>
Net Assets				
Invested in capital assets –				
Net of related debt	3,908	3,992	3,263	3,177
Restricted	1,047	691	699	684
Unrestricted	<u>7,114</u>	<u>4,409</u>	<u>156</u>	<u>213</u>
Total net assets	<u>\$ 12,069</u>	<u>\$ 9,092</u>	<u>\$ 4,118</u>	<u>\$ 4,074</u>

The Township governmental activities experienced a net change in assets of \$2,975,576. The main reason is a result of receiving \$3,361,277 of landfill tipping fees from Pine Tree Acres. The business-type activities experienced a net change of assets of only \$44,061.

The following table shows the changes in net assets for 2005 and 2004.

In Thousands

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Revenue				
Program revenue:				
Charges for services	\$ 258	\$ 237	\$ 599	\$ 721
Operating grants and contributions	106	108	-	-
General revenue:				
Property taxes	903	836	-	-
State-shared revenue	317	313	-	-
Unrestricted investment earnings	73	37	15	6
Franchise fees	30	27	-	-
Landfill tipping fees	<u>3,361</u>	<u>2,550</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>5,048</u>	<u>4,108</u>	<u>614</u>	<u>727</u>
Program Expenses				
General government	688	621	-	-
Public safety	990	1,388	-	-
Public works	194	261	-	-
Health and welfare	42	40	-	-
Recreation and cultural	8	6	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>720</u>	<u>729</u>
Total Program Expenses	<u>1,922</u>	<u>2,316</u>	<u>720</u>	<u>729</u>
Changes in net assets before transfers	3,126	1,792	(106)	(2)
Transfers	(150)	(50)	150	50
Changes in net assets	<u>\$ 2,976</u>	<u>\$ 1,742</u>	<u>\$ 44</u>	<u>\$ 48</u>

Governmental Activities

Revenues for governmental activities totaled \$5.0 million in 2005. Of this amount \$3.4 million was received for landfill tipping fees and increase of \$811,000 over 2004. The next largest revenue sources was from property tax collection of .9 million which was an 8.0% increase from the prior year and state shared revenue of .3 million which was an increase of 2.0 percent from 2004.

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Total revenues including a transfer from the General Fund of \$150,000 was \$763,858 and expenses were \$719,797 for a change in net assets of \$44,061.

The water and sewer operation consists of the following: water is provided to the Township residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Fund

The General fund ended 2005 with a fund balance of \$3.8 million, with 1.2 reserved for advances to other funds and prepaid expenses and \$2.1 million designated for specific projects. This is a decrease of \$641,856 from the prior year mainly as a result of transferring \$150,000 to the Water and Seer fund to reducing the amount of debt for the Gratiot sewer line, an increase in the EMS contracted amount, and paying for the trash pick-up that in future years will be paid out of the PTA Fund. General fund tax revenues were \$111,138 under the original/final budget and the Board transferred \$150,000 to the Water Supply & Sewage Disposal System Fund that was not budgeted.

The Township other major governmental funds had the following revenues over (under) expenditures as follows:

- The Fire Fund had revenues over expenditures of \$189,033. The original budget estimated \$198,700 and the final budget \$189,700.
- The PTA (Pine Tree Acres) Fund had revenues over expenditures of \$3,351,828.

The budgets were amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

General Fund -

- General services expenditures were increased from \$195,500 to \$239,982 as a result of an increased site plan review by the planner and the engineering firm. Additionally, legal expenses increased due to ordinance enforcement follow-up cases.

Other Funds

- Solid waste removal was added to the service provides to Township residents as a result a budget line item was added for \$180,000. Actual cost was \$180,247.
- The Township Fire fund received \$74,685 more then was budgeted, primarily as a result of receiving \$16,358 more in taxes and a State grant for \$46,817. Expenditures for the Fire Fund was \$75,352 more then budget as a result of capital purchases related to the new fire truck purchase.
- The Township did not adopt a budget for the PTA (Pine Tree Acres) Revenue Fund since it was created during the year. For fiscal 2005 the Township collected \$3,361,277 in tipping fees and spent \$9,449.

Business-type Activities

As indicated earlier the Township only has one business-type activity, the water and sewer operation. Total revenues including a transfer from the General Fund of \$150,000 was \$763,858 and expenses were \$719,797 for a increase in net assets of \$44,061.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$9.3 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2005. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines.

During the year the Township added \$479,836 of capital assets, \$87,555 in the government-activities and \$392,281 in the business-type activities.

Of the \$87,555 purchased in the government-type activities \$21,102 was for a new truck and \$49,429 for various fire equipment. The \$392,281 in the business-type activities was constructed of the North Gratiot/New Haven Sanitary Sewer.

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Land	\$ 1,241,173	\$ 1,241,173	\$ -	\$ -
Land improvements	1,457,479	1,457,479	-	-
Building	1,553,120	1,553,120	190,139	190,139
Equipment	496,629	418,523	67,888	67,888
Vehicles	846,982	846,982	-	-
Water and sewer	-	-	5,755,953	5,755,953
Construction in progress	9,449	-	749,993	357,712
	<u>5,604,832</u>	<u>5,517,277</u>	<u>6,763,973</u>	<u>6,371,692</u>
Accumulated depreciation	(<u>1,697,265</u>)	(<u>1,524,944</u>)	(<u>1,335,109</u>)	(<u>1,211,663</u>)
	<u>\$ 3,907,567</u>	<u>\$ 3,992,333</u>	<u>\$ 5,428,8674</u>	<u>\$ 5,160,029</u>

Additional information on the Township's capital assets can be found in Note 4.

Long-Term Debt

At June 30, 2005 the Township's business-type activities had debt outstanding of \$1,140,000, a decrease of \$215,000 from the prior year. This debt is related to the construction of the water supply system.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

Any additional State Shared Revenue reductions will be offset by funding the EMS contract and Township wide trash pick-up out of the newly created PTA (Pine Tree Acres).

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (586) 727-2085.

BASIC FINANCIAL STATEMENTS

LENOX TOWNSHIP
Macomb County, Michigan
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Library
ASSETS:				
Cash and cash equivalents	\$ 6,794,779	\$ 146,440	\$ 6,941,219	\$ 513,764
Receivables	181,946	103,886	285,832	3,636
Due from other governmental units	146,205	-	146,205	3,688
Internal Balance	101,010	(101,010)	-	-
Prepaid expenditures	30,535	10,209	40,744	4,739
Advance to (from) other funds	1,025,616	(1,025,616)	-	-
Restricted Assets -				
Cash and cash equivalents	-	500	500	9,760
Investments	-	698,494	698,494	-
Deferred Charges	-	21,886	21,886	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,250,622	749,993	2,000,615	-
Assets being depreciated	2,656,945	4,678,871	7,335,816	182,323
Total Assets	<u>12,187,658</u>	<u>5,283,653</u>	<u>17,471,311</u>	<u>717,910</u>
LIABILITIES:				
Payables and accrued liabilities	79,556	16,071	95,627	5,383
Deferred revenue	39,588	-	39,588	3,636
Liability Payable from restricted assets	-	9,582	9,582	-
Non-current liabilities				
Due within one year	-	225,000	225,000	-
Due in more than one year	-	915,000	915,000	-
Total Liabilities	<u>119,144</u>	<u>1,165,653</u>	<u>1,284,797</u>	<u>9,019</u>
NET ASSETS:				
Invested in capital assets, net of related liabilities	3,907,567	3,263,248	7,170,815	182,323
Net assets				
Restricted	1,046,940	698,994	1,745,934	-
Unreserved	<u>7,114,007</u>	<u>155,758</u>	<u>7,269,765</u>	<u>526,568</u>
Total Net Assets	<u>\$ 12,068,514</u>	<u>\$ 4,118,000</u>	<u>\$ 16,186,514</u>	<u>\$ 708,891</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	688,182	52,371	-	-
Public Safety	989,710	205,688	46,858	-
Public Works	193,879	-	59,487	-
Health and Welfare	42,227	-	-	-
Recreation and Culture	8,696	-	-	-
Total governmental activities	1,922,694	258,059	106,345	-
Business type activities				
Water Supply and Sewage Disposal System	719,797	598,773	-	-
Total Primary Government	2,642,491	856,832	106,345	-
Component Unit				
Township Library	216,909	6,185	-	-
General revenues:				
Property taxes				
Grants and contribution not				
restricted to specific programs				
- State Shared revenue				
- Franchise fees				
- Pine Tree Acres - excess tipping				
- Other				
Unrestricted investment income				
Gain on sale of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets			
Governmental Activities	Primary Government		Component Units
	Business Type Activities	Total	Library
(635,811)	-	(635,811)	-
(737,164)	-	(737,164)	-
(134,392)	-	(134,392)	-
(42,227)	-	(42,227)	-
(8,696)	-	(8,696)	-
(1,558,290)	-	(1,558,290)	-
-	(121,024)	(121,024)	-
(1,558,290)	(121,024)	(1,679,314)	-
-	-	-	(210,724)
902,729	-	902,729	299,139
317,929	-	317,929	18,497
29,568	-	29,568	-
3,361,277	-	3,361,277	-
-	-	-	100
72,363	15,085	87,448	6,022
-	-	-	5,399
(150,000)	150,000	-	-
4,533,866	165,085	4,698,951	329,157
2,975,576	44,061	3,019,637	118,433
9,092,938	4,073,939	13,166,877	590,458
\$ 12,068,514	\$ 4,118,000	\$ 16,186,514	\$ 708,891

LENOX TOWNSHIP
Macomb County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Fire Fund	PTA Revenue Fund
ASSETS			
Cash and cash equivalents	\$ 5,607,248	\$ 680,463	\$ -
Receivables -			
Interest and accounts	180,126	1,820	-
Due from other governmental units -			
Federal/State	145,330	-	-
Local	875	-	-
Prepaid expenditures	10,209	20,326	-
Due from other funds	115,315	-	3,351,828
Advances to other funds	1,142,916	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 7,202,019	\$ 702,609	\$ 3,351,828
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables -			
Accounts	\$ 5,827	\$ -	\$ -
Accrued wages	28,504	32,931	-
Deposits	12,294	-	-
Due to other funds	3,360,341	13,405	-
Advances from other funds	-	117,300	-
Deferred revenue	39,588	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,446,554	163,636	-
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Reserved -	1,153,125	20,326	-
Unreserved -			
Designated	2,050,000	-	-
Undesignated -			
General Fund	552,340	-	-
Special Revenue Funds	-	518,647	3,351,828
Total Equity	<hr/>	<hr/>	<hr/>
	3,755,465	538,973	3,351,828
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Equity	\$ 7,202,019	\$ 702,609	\$ 3,351,828
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 507,068	\$ 6,794,779
-	181,946
-	145,330
-	875
-	30,535
8,513	3,475,656
-	1,142,916
<u>\$ 515,581</u>	<u>\$ 11,772,037</u>

\$ -	\$ 5,827
-	61,435
-	12,294
900	3,374,646
-	117,300
-	39,588
<u>900</u>	<u>3,611,090</u>

43,537	1,216,988
-	2,050,000
-	552,340
<u>471,144</u>	<u>4,341,619</u>
<u>514,681</u>	<u>8,160,947</u>
<u>\$ 515,581</u>	<u>\$ 11,772,037</u>

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Fund Balances - total governmental funds	\$ 8,160,947
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	5,604,832
Accumulated depreciation	<u>(1,697,265)</u>
Net Assets of governmental activities	<u><u>\$ 12,068,514</u></u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Fire Fund	PTA Revenue Fund
Revenues:			
Taxes	\$ 312,862	\$ 458,858	\$ -
Licenses and permits	96,006	-	-
Intergovernmental	377,416	46,817	-
Charges for services	32,101	-	-
Fines and forfeits	55,284	-	-
Interest	56,423	9,011	-
Other	32,163	40,999	3,361,277
Total Revenues	<u>962,255</u>	<u>555,685</u>	<u>3,361,277</u>
Expenditures:			
Current -			
General Government	644,402	-	9,449
Public Safety	575,894	366,652	-
Public Works	183,336	-	-
Health and Welfare	42,227	-	-
Recreation and Cultural	8,696	-	-
Total Expenditures	<u>1,454,555</u>	<u>366,652</u>	<u>9,449</u>
Excess of revenues over (under) expenditures	<u>(492,300)</u>	<u>189,033</u>	<u>3,351,828</u>
Other Financing Sources (Uses):			
Transfers in	444	-	-
Transfers out	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Total Financing Sources (Uses)	<u>(149,556)</u>	<u>-</u>	<u>-</u>
Net change in Fund Balances	<u>(641,856)</u>	<u>189,033</u>	<u>3,351,828</u>
Fund Balances at beginning of year	<u>4,397,321</u>	<u>349,940</u>	<u>-</u>
Fund Balances at end of year	<u><u>\$ 3,755,465</u></u>	<u><u>\$ 538,973</u></u>	<u><u>\$ 3,351,828</u></u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Fund	Total Governmental Funds
\$ 131,009	\$ 902,729
-	96,006
41	424,274
-	32,101
-	55,284
6,929	72,363
31,074	3,465,513
<u>169,053</u>	<u>5,048,270</u>
-	653,851
7,272	949,818
-	183,336
-	42,227
-	8,696
<u>7,272</u>	<u>1,837,928</u>
<u>161,781</u>	<u>3,210,342</u>
-	444
<u>(444)</u>	<u>(150,444)</u>
<u>(444)</u>	<u>(150,000)</u>
161,337	3,060,342
<u>353,344</u>	<u>5,100,605</u>
<u>\$ 514,681</u>	<u>\$ 8,160,947</u>

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005**

Net change in fund balances - total governmental funds	\$ 3,060,342
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	87,555
Depreciation expense	<u>(172,321)</u>
Change in net assets of governmental activities	<u>\$ 2,975,576</u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Water Supply & Sewage Disposal System
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 146,440
Accounts receivable -	
Water and sewer billing	48,799
Tap Fees	55,087
Prepaid expenses	10,209
Total Current Assets	<u>260,535</u>
Restricted Assets:	
Cash and cash equivalents	500
Investments	698,494
Total Restricted Assets	<u>698,994</u>
Capital Assets:	
Property, plant and equipment	
net of accumulated depreciation	<u>5,428,864</u>
Other Assets	
Deferred bond issuance costs (net of amortization)	<u>21,886</u>
Total Assets	<u>6,410,279</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	12,001
Accrued liabilities	4,070
Due to other funds	101,010
Total Current Liabilities	<u>117,081</u>
Current Liabilities - Payable From Restricted Assets:	
Bonds payable (current portion)	225,000
Accrued interest	9,582
Total Liabilities Payable From Restricted Assets	<u>234,582</u>
Long-Term Liabilities (less current portions):	
Advance from general fund	1,025,616
Bonds payable - less current portion	915,000
Total Long-Term Liabilities	<u>1,940,616</u>
Total Liabilities	<u>2,292,279</u>
NET ASSETS:	
Invested in capital assets, net	3,263,248
Restricted	698,994
Unrestricted	155,758
Total Net Assets	<u>\$ 4,118,000</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Water Supply & Sewage Disposal System
Operating Revenues:	
User charges	\$ 572,547
Miscellaneous	5,162
Total Operating Revenues	<u>577,709</u>
Operating Expenses:	
Salaries and wages	56,737
Fringe benefits	29,661
Engineering	12,600
Water and sewer charges	367,404
Supplies	7,190
Repairs and maintenance	24,340
Training	200
Contractual services	10,134
Utilities	12,578
Depreciation	123,446
Other	4,619
Total Operating Expenses	<u>648,909</u>
Operating Income (Loss)	<u>(71,200)</u>
Non-Operating Revenues:	
System development fees	21,064
Interest income	15,085
Amortization of bond issuance costs	(5,704)
Interest expense	(65,184)
Total Non-Operating Revenues (Expenses)	<u>(34,739)</u>
Net Income (Loss) Before Transfers	(105,939)
Transfers in	<u>150,000</u>
Change in Net Assets	44,061
Net Assets at beginning of year	<u>4,073,939</u>
Net Assets end of year	<u><u>\$ 4,118,000</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Water Supply & Sewage Disposal System
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 590,584
Cash payments to suppliers	(502,713)
Cash payments to employees	(87,143)
Net Cash Provided by Operating Activities	<u>728</u>
Cash Flows From Noncapital Financing Activities:	
Transfer in	150,000
Net Cash Provided by Noncapital Financing Activities	<u>150,000</u>
Cash Flows From Capital and Related Financing Activities:	
Advances/due to other funds	455,933
Proceeds from system development fees	29,997
Acquisition and construction of capital assets	(392,281)
Payment of interest and agent fees	(66,942)
Payment of long-term debt	(215,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(188,293)</u>
Cash Flows From Investing Activities:	
Interest earned	15,085
Purchase of investments	(15,036)
Net Cash Provided by Investing Activities	<u>49</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(37,516)
Cash and Cash Equivalents at Beginning of Year	<u>184,456</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 146,940</u></u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss) for the year	\$(71,200)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	123,446
Change in assets and liabilities-	
(Increase) decrease in -	
Receivable	12,875
Prepays	(8,796)
Increase (decrease) in-	
Accounts payable	(54,852)
Accrued liabilities	(745)
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 728</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 117,254</u>
 LIABILITIES:	
Due to individuals	<u>\$ 117,254</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The accounting methods and procedures adopted by Lenox Township, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following Notes to the Financial Statements are an integral part of the Township's Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

The Township of Lenox, a municipal corporation, was organized as a Township in 1837, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twelve (12) Townships in Macomb County and covers an area of approximately 26 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 5,000 residents in many areas including police, fire protection and roads.

These financial statements presented the Township and the component units, entities for which the township is considered to be financially accountable. Discretely presented component units are reported on a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Unit - The component unit column in the combined statement includes the financial data of the Lenox Township Library. The Library operates under the authority of PA 164 of the Michigan Public Acts of 1877. The entity has an independent Board that are elected by the residents of Lenox Township and the Village of New Haven. A majority of the Library revenues is from property taxes collected from the residents of Lenox Township.

The financial statements of the Lenox Township Library are audited separately and may be obtained from the Lenox Township Library at the following address:

Lenox Township Library
58976 Main Street
New Haven, MI 48048

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on August 31, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Township.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

The Township reports the following major governmental funds:

General Fund – is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

PTA (Pine Tree Acres) Revenue Fund – is a special revenue fund used to account for tipping fees, revenues and the related expenditures.

The Township reports the following major proprietary funds:

Water & Sewage Disposal System – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

Additionally, the Township reports the following fund types –

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Fund – is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

Agency Fund – is used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services. Operating expenses from the Enterprise Fund include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments consist of certificates of deposit with a maturity of more than ninety days from the date of requisition, which is recorded at "fair value". For the purpose of the Statement of Cash Flows presented for the Proprietary Fund Type, the Township considers all highly liquid investments (including restricted assets) with original maturities of ninety days or less to be cash equivalents.

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property the receivables are shown net of an allowance for uncollectible.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Prepaid Items –

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar –

The Township's property tax is levied in December on the assessed valuation of property located in the Township as of the preceding December 31 and is treated as revenue in the current fiscal year. The Township also collects taxes for the County, Intermediate School District, Community College and Local School District. Collections of all taxes other than Township taxes and the remittance of them are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>	<u>Component Unit</u>
Buildings and improvements	10-50	15-40
Utility systems	5-50	-
Machinery and equipment	5-10	7
Vehicles	8-15	-
Library books and materials	-	7

Compensated Absences –

The Township does not allow employees to accumulate vacation and sick time from year to year.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Township Supervisor prepares and submits the proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity level for the General Fund and the function level for Special Revenue Funds. However, for control purposes all the budgets are maintained at the object (account) level.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

During the year the Township incurred expenditures in the General and Special Revenue Fund, which was in excess of the amount appropriated as follows:

Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund –			
General Government –			
Legislative	\$ 10,500	\$ 13,431	\$ 2,931
Supervisor	50,500	51,506	1,006
Treasurer	57,850	57,896	46
Election	16,500	18,667	2,167
Cemetery	-	545	545
General Services	239,982	281,295	41,313
Public Safety –			
Law Enforcement	208,000	236,242	28,242
Emergency Medical Service	130,500	183,606	53,106
Planning Commission	26,000	46,411	20,411
Zoning Board of Appeals	2,000	2,270	270
Public Works –			
Solid Waste Removal	180,000	180,247	247
Street Lighting	1,900	3,089	1,189
Health and Welfare –			
Community Action Program	19,200	42,227	23,027
Recreation and Culture –			
Township Park	8,000	8,696	696
Transfers Out	-	150,000	150,000
Fire Fund –			
Public Safety	291,300	366,652	75,352
Monitor Fee Fund –			
Public Safety	4,000	5,979	1,979

The Township did not adopt a budget for the PTA Revenue Special Revenue Fund.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2005, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Deposits -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	<u>1,399,246</u>	<u>52,254</u>	<u>513,764</u>	<u>1,965,264</u>
Total Deposits	<u>1,399,896</u>	<u>52,254</u>	<u>513,764</u>	<u>1,965,914</u>
Investments -				
Investment Trust Funds	<u>5,541,323</u>	<u>65,000</u>	<u>-</u>	<u>5,606,323</u>
	<u>\$6,941,219</u>	<u>\$ 117,254</u>	<u>\$ 513,764</u>	<u>\$ 7,572,237</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits	1,399,246	52,254	513,764	1,965,264
Investment Trust Funds	<u>5,541,323</u>	<u>65,000</u>	<u>-</u>	<u>5,606,323</u>
	<u>\$6,941,219</u>	<u>\$ 117,254</u>	<u>\$ 513,764</u>	<u>\$ 7,572,237</u>

The Township's investment policy primary objectives are foremost safety of principle, followed by diversification, maintaining adequate liquidity and return on investment. The Township Treasurer is responsible for the investing of the Township funds in accordance with the Township investment policy.

Custodial Credit Risk – is the risk that in the event of a bank failure, the Township's deposit or investments may not be returned. The Township does not have a deposit policy for custodial credit risk.

Interest rate risk – is the risk that the market value of securities in the Township's portfolio will fall due to changes in market interest increases. The Township policy attempts to minimize interest rate risk by selecting investments to obtain a market average rate of return and to limit the core of investments to relatively low risk securities.

Credit risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the Township investment policy limits the type of investments the Township can purchase.

Concentration of credit risk – is the risk of loss attributed to the magnitude of the Township's investments as a single issuer. The Township's investment policy requires that the Township's investments be diversified by avoiding over-concentration in securities for a specific issuer of business sector, excluding U.S. Treasury securities and insured certificates of deposits.

Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of June 30, 2005, the bank balance of the Township's deposits was \$1,648,842 of which \$530,488 was FDIC insured with the balance \$1,118,354 exposed to credit risk since they are uninsured and uncollateralized. In addition the component unit had a bank balance of \$400,158 of which \$200,000 was covered for FDIC insurance, with the remaining balance exposed to credit risk since they are exposed to credit risk since they are uninsured and uncollateralized.

The Township also had \$698,994 on deposit with Macomb County for the construction of a wastewater and sewage disposal system. Since the funds are invested by the County, the extent, if any, of FDIC insurance could not be determined. These deposits have been shown as restricted cash and investments for financial statement presentation.

Investments -

Act 20 PA 1994 as amended by Act 1997 PA 1999 and the Township investment policy authorizes the Township to invest surplus funds in mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

At June 30, 2005, the Township was invested in two external investment pools. The fund invests primarily in bonds, securities and other obligations issued by the U.S. government or its agencies, certificates of deposit and time deposits of eligible financial institutions, commercial paper rated in the two highest rating classifications, etc. The balances in each account are as follows:

	<u>Balance</u> <u>6/30/05</u>	<u>Rated</u>	<u>Weighted</u> <u>Average</u> <u>Maturities</u>
Standard Federal/LaSalle Bank	\$ 5,109,323	Aaa	12 days
National Bank	<u>497,000</u>	Not rated	Less than 90 days
	<u>\$ 5,606,323</u>		

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2005 was as follows:

	July 1, 2004			June 30, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,241,173	\$ -	\$ -	\$ 1,241,173
Construction in progress	-	9,449	-	9,449
Total capital assets not being depreciated	<u>1,241,173</u>	<u>9,449</u>	<u>-</u>	<u>1,250,622</u>
Capital assets, being depreciated:				
Land improvements	1,457,479	-	-	1,457,479
Buildings	1,553,120	-	-	1,553,120
Equipment	418,523	78,106	-	496,629
Vehicles	<u>846,982</u>	<u>-</u>	<u>-</u>	<u>846,982</u>
Total capital assets being depreciated	4,276,104	78,106	-	4,354,210
Less accumulated depreciation	<u>(1,524,944)</u>	<u>(172,321)</u>	<u>-</u>	<u>(1,697,265)</u>
Total capital assets being depreciated, net	<u>2,751,160</u>	<u>(94,215)</u>	<u>-</u>	<u>2,656,945</u>
Governmental activities capital assets, net	<u>\$ 3,992,333</u>	<u>\$ (84,766)</u>	<u>\$ -</u>	<u>\$ 3,907,567</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 357,712</u>	<u>\$ 392,281</u>	<u>\$ -</u>	<u>\$ 749,993</u>
Capital assets, being depreciated:				
Buildings	190,139	-	-	190,139
Water mains and extensions	5,755,953	-	-	5,755,953
Equipment	<u>67,888</u>	<u>-</u>	<u>-</u>	<u>67,888</u>
Total capital assets being depreciated	6,013,980	-	-	6,013,980
Less accumulated depreciation	<u>(1,211,663)</u>	<u>(123,446)</u>	<u>-</u>	<u>(1,335,109)</u>
Total capital assets being depreciated, net	<u>4,802,317</u>	<u>(123,446)</u>	<u>-</u>	<u>4,678,871</u>
Business activities capital assets, net	<u>\$5,160,029</u>	<u>\$ 268,835</u>	<u>\$ -</u>	<u>\$ 5,428,864</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 72,457
Public Safety	89,321
Public Works	<u>10,543</u>
Total depreciation expense-governmental activities	<u>\$ 172,321</u>
Business-type activities:	
Water and Sewer	<u>\$ 123,446</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – CAPITAL ASSETS – (cont'd):

Component Unit -

Following is a summary of changes in general fixed assets of the Library, a Discretely Presented Component Unit, for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Buildings and improvements	\$ 137,152	\$ -	\$ -	\$ 137,152
Furniture and equipment	17,610	5,568	-	23,178
Library books and materials	<u>148,284</u>	<u>17,281</u>	-	<u>165,565</u>
	303,046	22,849	-	325,895
Accumulated depreciation	<u>(118,530)</u>	<u>(25,042)</u>	-	<u>(143,572)</u>
	<u>\$ 184,516</u>	<u>\$ (2,193)</u>	<u>\$ -</u>	<u>\$ 182,323</u>

NOTE 5 - LONG-TERM DEBT:

Primary Government -

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
<u>Enterprise Fund:</u>					
<u>Bonds Payable -</u>					
Water Supply System 13	\$ 570,000	-	\$ 135,000	\$ 435,000	\$ 140,000
Water Supply System 14	<u>785,000</u>	-	<u>80,000</u>	<u>705,000</u>	<u>85,000</u>
	<u>\$ 1,355,000</u>	<u>\$ -</u>	<u>\$ 215,000</u>	<u>\$ 1,140,000</u>	<u>\$ 225,000</u>

Significant details regarding outstanding long-term debt are presented below:

Enterprise Fund:

Contracts/Bonds Payable -

\$1,590,000 Macomb County Water Supply System 13 (Lenox Township Section 2) Bonds, dated March 1, 1994, due in annual installments ranging from \$140,000 to \$150,000 through May 1, 2008, with interest ranging from 5.00 to 5.10 percent payable semi-annually

\$ 435,000

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 – LONG-TERM DEBT – (cont'd):

\$1,050,000 Macomb County Water Supply 14 (Lenox Township Section 3) Bonds, dated March 1, 1997, due in annual installments beginning November 1, 2001, ranging from \$85,000 to \$120,000 through November 1, 2011. Interest is payable semi-annually with rates ranging from 4.75 to 5.30 percent

705,000

\$1,140,000

The annual requirements to amortize bonds outstanding at June 30, 2005 is as follows:

	<u>System 13</u>		<u>System 14</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 140,000	\$ 22,045	\$ 85,000	\$ 33,429
2007	145,000	15,045	90,000	29,250
2008	150,000	7,650	95,000	24,763
2009	-	-	100,000	19,935
2010	-	-	105,000	14,757
2011-2012	<u>-</u>	<u>-</u>	<u>230,000</u>	<u>12,400</u>
	<u>\$ 435,000</u>	<u>\$ 44,740</u>	<u>\$ 705,000</u>	<u>\$ 134,534</u>

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:

The composition of interfund balances as of June 30, 2005:

Due to/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 13,405
	Monitoring Fund	900
	Water & Sewage Disposal Fund	101,010
PTA Revenue Fund	General Fund	3,351,828
Liquor Law Enforcement Fund	General Fund	<u>8,513</u>
		<u>\$ 3,475,656</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES – (cont'd):

Advance To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 117,300
	Water & Sewage Disposal Fund	<u>1,025,616</u>
		<u>\$ 1,142,916</u>

The long-term advances were made to finance the purchase of equipment and construct utilities system.

Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Chapter 20 Drain Debt Service Fund	\$ 444
Water and Sewer Disposal Fund	General Fund	<u>150,000</u>
		<u>\$ 150,444</u>

NOTE 7 - COMMUNITY DEVELOPMENT BLOCK GRANT:

During the year, the Township was appropriated \$44,000 Community Development Block Grant (CDBG) funding through Macomb County and expended \$59,487 of current and previously appropriated CDBG funding. At June 30, 2005, the Township has \$39,588 available for future CDBG projects.

Macomb County pays CDBG project providers directly. The County maintains administrative control over the funding, monitors the programs and reports the programs in the County's Single Audit report.

NOTE 8 – PRINCIPAL TAXPAYERS AND UTILITY CUSTOMERS:

There are four (4) users that provide a significant portion of the utility (water and sewer) revenue. The revenues provided, and the approximate percentage of the utility system revenues for the year ended June 30, 2005 are summarized below:

	<u>Utility Charges</u>	
Macomb County		
Correctional Facility	\$ 262,439	46 %
Quail Run	94,825	17
Americana Estate	123,727	22
Millstone Pond	<u>40,913</u>	<u>7</u>
	<u>\$ 521,904</u>	<u>92 %</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 – SUMMARY OF INSPECTION DEPARTMENT:

The following schedule presents the Township's inspector department revenues and expenditures in accordance with Public Act 245 of 1999:

Revenues:

Building Permits	\$ 39,001
Electrical Permits	12,993
Heating Permits	8,760
Plumbing Permits	<u>5,684</u>
	<u>66,438</u>

Expenditures:

Salaries and Wages	99,963
Operating Supplies	2,142
Transportation	1,318
Communications	1,515
Education and Training	1,316
Miscellaneous	<u>1,111</u>
	<u>107,365</u>

Excess of revenues over (under) expenditures \$ (40,927)

Note: The above expenditures do not include all overhead expenditures.

NOTE 10 – RESERVED/DESIGNATED FUND BALANCE:

Reserved Fund Balance –

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of Reserved Fund Balance at June 30, 2005:

General Fund –	
Advance from other funds	\$ 1,142,916
Prepaid expenditure	<u>10,209</u>
	1,153,125
Fire Fund –	
Prepaid expenditure	20,326
Chapter 20 Drain –	
Debt Retirement	<u>43,537</u>
	<u><u>\$ 1,216,988</u></u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 10 – RESERVED/DESIGNATED FUND BALANCE:

Designated Fund Balance –

The Township Board has the power the designate or set aside all or a portion of unreserved fund balance for specific purposes. The following is a summary of the Board's designations at June 30, 2005:

New Township Hall	500,000
Gratiot Sewer Project	350,000
Fire truck	100,000
Recreation Fund	80,000
Long-term investment	500,000
Senior Citizen	20,000
Contingencies	<u>500,000</u>
	<u><u>\$2,050,000</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 424,000	\$ 424,000	\$ 312,862	\$(111,138)
Licenses and permits	153,000	153,000	96,006	(56,994)
Intergovernmental -				
Federal	10,000	10,000	59,487	49,487
State	330,000	330,000	317,929	(12,071)
Charges for services	26,500	26,500	32,101	5,601
Fines and forfeits	50,000	50,000	55,284	5,284
Interest and rent	15,000	15,000	56,423	41,423
Other	48,500	48,500	32,163	(16,337)
Total Revenues	<u>1,057,000</u>	<u>1,057,000</u>	<u>962,255</u>	<u>(94,745)</u>
Expenditures:				
General Government -				
Legislative	10,500	10,500	13,431	(2,931)
Supervisor	49,750	50,500	51,506	(1,006)
Clerk	54,650	54,650	54,499	151
Treasurer	57,850	57,850	57,896	(46)
Assessor	67,700	70,100	63,616	6,484
Board of Review	1,100	1,100	865	235
Election	15,500	16,500	18,667	(2,167)
Township Hall	105,000	105,000	102,082	2,918
Cemetery	-	-	545	(545)
General Services	195,500	239,982	281,295	(41,313)
	<u>557,550</u>	<u>606,182</u>	<u>644,402</u>	<u>(38,220)</u>
Public Safety -				
Law Enforcement	208,000	208,000	236,242	(28,242)
Emergency Medical Service	110,000	130,500	183,606	(53,106)
Planning Commission	26,000	26,000	46,411	(20,411)
Building and Inspection	147,500	147,500	107,365	40,135
Zoning Board of Appeals	1,500	2,000	2,270	(270)
	<u>493,000</u>	<u>514,000</u>	<u>575,894</u>	<u>(61,894)</u>
Public Works -				
Solid Waste Removal	-	180,000	180,247	(247)
Street Lighting	1,900	1,900	3,089	(1,189)
	<u>1,900</u>	<u>181,900</u>	<u>183,336</u>	<u>(1,436)</u>
Health and Welfare -				
Community Action Program	-	19,200	42,227	(23,027)
Recreation and Cultural -				
Township Park	-	8,000	8,696	(696)
Total Expenditures	<u>1,052,450</u>	<u>1,329,282</u>	<u>1,454,555</u>	<u>(125,273)</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess of revenues over (under) expenditures	<u>4,550</u>	<u>(272,282)</u>	<u>(492,300)</u>	<u>(220,018)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	444	444
Transfers out	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Total Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(149,556)</u>	<u>(149,556)</u>
Net change in Fund Balance	4,550	(272,282)	(641,856)	(369,574)
Fund Balance at beginning of year	<u>4,397,321</u>	<u>4,397,321</u>	<u>4,397,321</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,401,871</u>	<u>\$ 4,125,039</u>	<u>\$ 3,755,465</u>	<u>\$ (369,574)</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 442,500	\$ 442,500	\$ 458,858	\$ 16,358
Intergovernmental -				
State	12,000	16,000	46,817	30,817
Interest	10,000	10,000	9,011	(989)
Other revenue	10,500	12,500	40,999	28,499
Total Revenues	<u>475,000</u>	<u>481,000</u>	<u>555,685</u>	<u>74,685</u>
Expenditures:				
Public Safety	<u>276,300</u>	<u>291,300</u>	<u>366,652</u>	<u>(75,352)</u>
Excess of revenues over (under) expenditures	198,700	189,700	189,033	(667)
Fund Balance at beginning of year	<u>349,940</u>	<u>349,940</u>	<u>349,940</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 548,640</u></u>	<u><u>\$ 539,640</u></u>	<u><u>\$ 538,973</u></u>	<u><u>\$(667)</u></u>

OTHER SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005

	Special Revenue Funds			
	Road	Liquor Law Enforcement	Monitoring Fee	Environmental Protection
ASSETS				
Cash and cash equivalents	\$ 455,917	\$ -	\$ 1,944	\$ 5,670
Due from other funds	-	8,513	-	-
Total Assets	<u>\$ 455,917</u>	<u>\$ 8,513</u>	<u>\$ 1,944</u>	<u>\$ 5,670</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 900	\$ -
Fund Balance:				
Reserved for Debt Retirement	-	-	-	-
Unreserved	455,917	8,513	1,044	5,670
Total Fund Balance	<u>455,917</u>	<u>8,513</u>	<u>1,044</u>	<u>5,670</u>
Total Liabilities and Fund Balance	<u>\$ 455,917</u>	<u>\$ 8,513</u>	<u>\$ 1,944</u>	<u>\$ 5,670</u>

Debt Service Fund Chapter 20 Drain	Total
\$ 43,537 -	\$ 507,068 8,513
<u>\$ 43,537</u>	<u>\$ 515,581</u>
\$ -	\$ 900
43,537 - <u>43,537</u>	43,537 471,144 <u>514,681</u>
<u>\$ 43,537</u>	<u>\$ 515,581</u>

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

		Special Revenue Funds		
	Road	Liquor Law Enforcement	Monitoring Fee	Environmental Protection
Revenues:				
Taxes	\$ 131,009	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	-	41	-	-
Interest	6,144	-	-	-
Other	29,465	1,609	-	-
Total Revenues	<u>166,618</u>	<u>1,650</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public Safety	-	1,293	5,979	-
Public Works	-	-	-	-
Total Expenditures	<u>-</u>	<u>1,293</u>	<u>5,979</u>	<u>-</u>
Excess of revenues over (under) expenditures	166,618	357	(5,979)	-
Other Financing Uses:				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	166,618	357	(5,979)	-
Fund Balances at beginning of year	<u>289,299</u>	<u>8,156</u>	<u>7,023</u>	<u>5,670</u>
Fund Balances at end of year	<u>\$ 455,917</u>	<u>\$ 8,513</u>	<u>\$ 1,044</u>	<u>\$ 5,670</u>

Debt Service Fund Chapter 20 Drain	Total
\$ -	\$ 131,009
-	41
785	6,929
-	31,074
<u>785</u>	<u>169,053</u>
-	7,272
-	-
<u>-</u>	<u>7,272</u>
785	161,781
<u>(444)</u>	<u>(444)</u>
341	161,337
<u>43,196</u>	<u>353,344</u>
<u>\$ 43,537</u>	<u>\$ 514,681</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

ROAD FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 126,000	\$ 126,000	\$ 131,009	\$ 5,009
Interest	3,000	3,000	6,144	3,144
Other	-	-	29,465	29,465
Total Revenues	<u>129,000</u>	<u>129,000</u>	<u>166,618</u>	<u>37,618</u>
Expenditures:				
Public Works	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Excess of revenues over expenditures	54,000	54,000	166,618	112,618
Fund Balance at beginning of year	<u>289,299</u>	<u>289,299</u>	<u>289,299</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 343,299</u></u>	<u><u>\$ 343,299</u></u>	<u><u>\$ 455,917</u></u>	<u><u>\$ 112,618</u></u>

LIQUOR LAW ENFORCEMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - State	\$ 1,600	\$ 1,600	\$ 41	\$(1,559)
Other	<u>50</u>	<u>2,000</u>	<u>1,609</u>	<u>(391)</u>
Total Revenues	1,650	3,600	1,650	(1,950)
Expenditures:				
Public Safety	<u>1,650</u>	<u>1,850</u>	<u>1,293</u>	<u>557</u>
Excess of revenues over (under) expenditures	-	1,750	357	(1,393)
Fund Balance at beginning of year	<u>8,156</u>	<u>8,156</u>	<u>8,156</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 8,156</u></u>	<u><u>\$ 9,906</u></u>	<u><u>\$ 8,513</u></u>	<u><u>\$(1,393)</u></u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

MONITORING FEE FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Public Safety	\$ -	\$ 4,000	\$ 5,979	\$(1,979)
Fund Balance at beginning of year	<u>7,023</u>	<u>7,023</u>	<u>7,023</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 7,023</u></u>	<u><u>\$ 3,023</u></u>	<u><u>\$ 1,044</u></u>	<u><u>\$(1,979)</u></u>

ENVIRONMENTAL PROTECTION FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues under expenditures	-	-	-	-
Fund Balance at beginning of year	<u>5,670</u>	<u>5,670</u>	<u>5,670</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 5,670</u></u>	<u><u>\$ 5,670</u></u>	<u><u>\$ 5,670</u></u>	<u><u>\$ -</u></u>

FIDUCIARY FUNDS

LENOX TOWNSHIP
Macomb County, Michigan

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 157,368	\$ 7,160,935	\$ 7,201,049	\$ 117,254
Receivables	<u>-</u>	<u>6,238</u>	<u>6,238</u>	<u>-</u>
Total Assets	<u><u>\$ 157,368</u></u>	<u><u>\$ 7,167,173</u></u>	<u><u>\$ 7,207,287</u></u>	<u><u>\$ 117,254</u></u>
Liabilities:				
Due to other funds	\$ -	\$ 7,116,544	\$ 7,116,544	\$ -
Due to individuals	<u>157,368</u>	<u>59,244</u>	<u>99,358</u>	<u>117,254</u>
Total Liabilities	<u><u>\$ 157,368</u></u>	<u><u>\$ 7,175,788</u></u>	<u><u>\$ 7,215,902</u></u>	<u><u>\$ 117,254</u></u>
AGENCY FUND				
Assets:				
Cash and cash equivalents	<u><u>\$ 157,368</u></u>	<u><u>\$ 138,276</u></u>	<u><u>\$ 178,390</u></u>	<u><u>\$ 117,254</u></u>
Liabilities:				
Due to other funds	\$ -	\$ 87,638	\$ 87,638	\$ -
Due to individuals	<u>157,368</u>	<u>59,244</u>	<u>99,358</u>	<u>117,254</u>
Total Liabilities	<u><u>\$ 157,368</u></u>	<u><u>\$ 146,882</u></u>	<u><u>\$ 186,996</u></u>	<u><u>\$ 117,254</u></u>
TAX FUND				
Assets:				
Cash and cash equivalents	\$ -	\$ 7,022,659	\$ 7,022,659	\$ -
Due from other governmental unit - local	<u>-</u>	<u>6,238</u>	<u>6,238</u>	<u>-</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 7,028,897</u></u>	<u><u>\$ 7,028,897</u></u>	<u><u>\$ -</u></u>
Liabilities:				
Due to other funds	<u><u>\$ -</u></u>	<u><u>\$ 7,028,906</u></u>	<u><u>\$ 7,028,906</u></u>	<u><u>\$ -</u></u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Supervisor and Members
of the Township Board
Lenox Township
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lenox Township, Michigan, as of and for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lenox Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenox Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

Stewart, Beauvois & Whipple
Certified Public Accountants

October 18, 2005